

**TAX TIPS FOR
LESSORS OF MOTOR VEHICLES
CONDUCTING BUSINESS IN DELAWARE**

Things You Should Know

Definitions 30 Del. C., Ch. 43

A lessor of tangible personal property is a person who grants to a lessee the right to use property for a specified period. A lease may be written or oral and any agreement which purports to be a sale but which in substance is a lease shall be considered a lease. Leases of tangible personal property are subject to a use/lease tax at the rate of 1.536% which is imposed on the lessee and collected and remitted by the lessor. Additionally every lessor must obtain a business license and pay a tax based on gross receipts.

Gross Receipts

Consideration for services rendered includes cash, checks, credit cards, gift certificates, travelers checks, money orders, barter, trade-ins, manufacturer's coupons and rebates, and any other consideration of any kind.

Gross Receipts May Not be Reduced By:

- Cost of material and/or labor
- Interest, discount or delivery costs
- State or Federal taxes

License and Gross Receipts Requirements

A lessor of tangible personal property is required to obtain a business license -- \$75 for the first location and \$25 for each additional location -- which must be renewed annually on or before December 31st of each year. Additionally, a gross receipts tax is levied at the rate of .23% (.0023) on the amount of rental income received from the leased property. The first \$240,000 of rents received per quarter are exempt from the gross receipts tax. Specific instructions will be sent to new registrants with your personalized gross receipts coupon book. You will receive two coupon books, one to report the gross receipts tax and one to remit the tax collected from the lessee. To register with the Division of Revenue and obtain a business license, complete a Combined Registration Application, available on the Internet, and mail to the Division of Revenue with the appropriate fee.

Important Information for Lessors of Motor Vehicles

Beginning January 1, 1998, House Bill No. 400 requires that the lessee use tax and lessor license tax on leases of motor vehicles be reported separately from the leases of other tangible personal property. The total receipts received from leasing motor vehicles must be segregated from the receipts received on leases of other tangible personal property.

Tax Rates and Exclusions

	Tax Rate	Quarterly Exclusion
Lessor of Tangible Personal Property	.0023	\$240,000
Sample Calculation		
Rental Receipts		\$273,000
Less Exclusion		<u>240,000</u>
Taxable Rental Receipts		\$ 33,000
Tax Rate		x .0023
Tax		\$ 76
Motor Vehicle Rental		\$ 50,000
Tax Rate		x .0023
		<u>\$ 115</u>
Total Tax Due		<u>\$ 191</u>

Lessee of Tangible Personal Property	.01536		
Rents Other Than Motor Vehicles	\$273,000 x .01536=	\$ 4,193	
Rents from Motor Vehicles	\$ 50,000 x .0192 =	<u>960</u>	
Amount Due		\$ 5,153	

(Note: Delaware requires that tax due be rounded-off to the nearest dollar amount.)

Due Dates of Returns

New licensees will file on a quarterly basis through their first calendar year. The Division of Revenue will then perform a 'lookback' procedure and determine if the filing frequency should be changed.

Quarterly Filers last day of the first month after the end of the calendar quarter.

Taxable and Exempt Leases

Section 4302 of Title 30 of the Delaware Code imposes a 1.536 percent (0.01536) use tax on leases of tangible personal property where such property is used within Delaware. The tax is imposed on the lessee and collected and remitted by the lessor. Unless it can be shown to the contrary, **ALL** amounts received under rental agreements including early termination charges are subject to the use tax, except as indicated below. If the lessee/user exercises the option to purchase the item being leased, then the amount received from the 'Final Option Price Payment' is to be treated as a payment of the purchase price and is subject to taxation under the provisions of a wholesaler/retailer. Separately stated charges for such items as insurance, gasoline and delivery charges are not subject to the lease tax. However, these charges may be subject to other license fees. Taxable leases also include by way of example and not by limitation, telephones (fixed and portable), paging devices, video cassettes, canned software, uniform rentals and agricultural equipment. **Note: Leases of agricultural production equipment are exempt effective 1/1/99.**

The following leases of tangible personal property are exempt from the use tax:

- ▶ Household Furniture
- ▶ Household Fixtures
- ▶ Household Furnishings
- ▶ Hospital/Medical Equipment, Aids and Devices leased to ill, injured or handicapped persons.

All items leased to:

The Federal Government

This State and its Agencies

Political Subdivisions of this State

State and Local Public Schools

It should be noted that while the leases of the above items are not subject to collection of the use tax, the **receipts received by the lessor** for the lease of such items are subject to the lessor gross receipts tax.

Gross Receipts Tax Exemption

Effective January 1, 1997, House Bill No. 678, exempts from business license gross receipts tax transactions between small, closely held firms. To qualify, the subject firms must be 80% owned by the same five or fewer shareholders, or 100% owned by the same family.

Common Ownership/Direction

Businesses which operate their separate branches by the use of separate operating corporations are only entitled to one monthly or quarterly exclusion for the enterprise to the extent that the corporations have common ownership or common direction and control.

Caution Concerning Multiple Exclusions

Nearly all licensees are permitted to reduce their monthly or quarterly gross receipts by certain specific exclusions in determining their taxable gross receipts. The Delaware Code limits the number of allowable exclusions for each general business activity. A taxpayer conducting a business activity for which an exclusion is provided is entitled to **ONLY ONE** monthly or quarterly exclusion regardless of the number of locations at which such activity is conducted. For example, a taxpayer who operates multiple location or stores should aggregate the receipts from all goods leased at all locations and subtract only one quarterly exclusion. Separate licenses are required and separate exclusions are permitted if a taxpayer conducts more than one **ACTIVITY**, such as leasing and selling at retail.

Regulatory and Local Requirements

The Business License Issued by the Division of Revenue is not a regulatory license and the issuance of such license does not attest to the qualifications of the applicant to perform the activity described on such license. Many local jurisdictions have requirements for a business license and may have restrictions concerning the locations of conducting the referenced business activity. Please check with the local government office in the town, city or county in which you will conduct your business.

The State of Delaware also has a Division of Professional Regulations. Many occupations and some types of equipment have regulatory requirements. Please contact the Division of Professional Regulation for more information.

General

If you have any questions, please contact one of the following offices

<i>Wilmington</i>	<i>Dover</i>	<i>Georgetown</i>
Division of Revenue Carvel State Office Building 820 North French Street Wilmington DE 19801 (302) 577-8205	Division of Revenue Thomas Collins Building 540 South DuPont Highway Suite 2 Dover DE 19901 (302) 744-1085	Division of Revenue Suite 2 422 North DuPont Highway Georgetown DE 19947 (302) 856-5358

or by e-mail at: thomas.eoppolo@state.de.us (302) 577-8261

DELAWARE DIVISION OF REVENUE**Lessors of Tangible Personal Property Gross Receipts Tax Return - Form LQ7 9801****LTQ**

ACCOUNT NUMBER	TAX PERIOD ENDING	DUE ON OR BEFORE	BUSINESS CODE GROUP DESCRIPTION 603 MV LESSOR
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BUSINESS NAME AND ADDRESS

1. RENTAL RECEIPTS (Not from Motor Vehicles)	\$		00
2. LESS EXCLUSION (See Line Instructions)	\$	240,000	00
3. TAXABLE RENTAL RECEIPTS	\$		00
4. LINE 3 X 0.00230	=	\$	00
5. MOTOR VEHICLE RENTAL RECEIPTS	\$		00
6. LESS REMAINING EXCLUSION (See Instructions)	\$		00
7. TAXABLE MOTOR VEHICLE RENTAL RECEIPTS	\$		00
8. LINE 7 X 0.00230	=	\$	00
9. BALANCE DUE (Add Lines 4 and 8.)	\$		00

AUTHORIZED SIGNATURE I declare under penalties of perjury, that this is a true, correct and complete return.

DATE

TELEPHONE NUMBER

Mail This Form With Remittance Payable To:

Delaware Division of Revenue
P.O. Box 2340, Wilmington, DE 19899-2340
For questions, call (302) 577-8780

If desired, provide an e-mail address where we may contact you regarding this return.

E-MAIL ADDRESS

CUT ALONG THIS LINE AND SEND THE ABOVE PORTION WITH ANY PAYMENT DUE

LICENSE/EXCISE TAX RETURN - QUARTERLY

Complete the return above, sign, date and file by the due date. You may file all monthly or quarterly returns at the end of the year if no tax is due on any of the returns.

To Update Your Contact/Business Information on File with Revenue:

[Remit a License Request for Change form](#)

To Change Tax Information You've Already Reported:

[Remit an Amended return](#)

SPECIFIC LINE INSTRUCTIONS

PLEASE NOTE: THE DIVISION OF REVENUE REQUIRES ROUNDING OF ALL AMOUNTS ON ALL GROSS RECEIPTS RETURNS.

Line 1. - Enter on Line 1 the amount of rents received from leases of Tangible Personal Property other than Motor Vehicles during the quarter.

Line 2. - The maximum allowable exclusion is \$240,000 per quarter. (If you have more than one branch or entity with common ownership or common direction and control, you are only allowed one quarterly exclusion.)

Line 3. - Subtract Line 2 from Line 1 and enter the result on Line 3. If this is a negative amount or zero, enter the amount in brackets on Line 3.

Line 4. - Multiply Line 3 by 0.00230. Enter the result on Line 4. If Line 3 is a negative amount, enter zero on Line 4.

Line 5. - Enter on Line 5 the amount of rents received from the leases of Motor Vehicles during the quarter.

Line 6. - Enter on Line 6 the amount of Taxable Rental Receipts from Line 3. If Line 3 is a negative number, enter on Line 6 the amount of Line 3 as a positive number. If Line 3 is a positive number, enter a zero on Line 6.

Line 7. - Subtract Line 6 from Line 5 and enter the result on Line 7.

Line 8. - Multiply Line 7 by 0.00230 and enter the result on Line 8.

Line 9. Add together Lines 4 and 8 and enter the result on Line 9. This amount of tax is due and payable with the filing of this return.

If you have not already renewed this year's business license, do it now to avoid a \$200 penalty.

Go to www.delaware.gov to renew your business license online!

SAMPLE COMPLETED RETURN

1. RENTAL RECEIPTS (Not from Motor Vehicles)	\$	235,000.00
2. LESS EXCLUSION (See Line Instructions)	\$	240,000.00
3. TAXABLE RENTAL RECEIPTS	\$	(5,000.00)
4. LINE 3 X 0.00230	=	\$.00
5. MOTOR VEHICLE RENTAL RECEIPTS	\$	155,000.00
6. LESS REMAINING EXCLUSION	\$	5,000.00
7. TAXABLE MOTOR VEHICLE RENTAL RECEIPTS	\$	150,000.00
8. LINE 7 X 0.00230	=	\$ 345.00
9. BALANCE DUE (Add Lines 4 and 8.)	\$	345.00

Quarterly Gross Receipts Tax Returns are due on or before the last day of the month following the end of the quarter as listed.

QUARTER END	DUE DATE	QUARTER END	DUE DATE
03/31/2006	05/01/2006	09/30/2006	10/31/2006
06/30/2006	07/31/2006	12/31/2006	01/31/2007

For questions or to speak with a customer service representative, please call Revenue's Gross Receipts Department at (302) 577-8780.

Forms ♦ Renew Business License ♦ www.state.de.us/revenue ♦ File Online ♦ Tax Tips

DELAWARE DIVISION OF REVENUE
LICENSE/EXCISE TAX RETURN - FORM LQ8 9801

LEQ28

ACCOUNT NUMBER	TAX PERIOD ENDING	DUE ON OR BEFORE	BUSINESS CODE GROUP DESCRIPTION 613 MV LESSEE
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BUSINESS NAME AND ADDRESS

TAXABLE BASIS

_____ X .01536 = \$ _____
RENTS OTHER THAN MOTOR VEHICLES

_____ X .01536 = \$ _____
RENTS FROM MOTOR VEHICLES

\$.00 AMOUNT DUE

AUTHORIZED SIGNATURE I declare under penalties of perjury, that this is
a true, correct and complete return.

DATE

TELEPHONE NUMBER

Mail This Form With Remittance Payable To:
Delaware Division of Revenue
P.O. Box 2340, Wilmington, DE 19899-2340
For questions, call (302) 577-8780

If desired, provide an e-mail address where we may contact you regarding this return.

E-MAIL ADDRESS

CUT ALONG THIS LINE AND SEND THE ABOVE PORTION WITH ANY PAYMENT DUE

LICENSE/EXCISE TAX RETURN - QUARTERLY

Complete the return above, sign, date and file by the due date. You may file all monthly or quarterly returns at the end of the year if no tax is due on any of the returns.

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To Change Tax Information You've Already Reported:

[Remit an Amended return](#)

SPECIFIC LINE INSTRUCTIONS

PLEASE NOTE: THE DIVISION OF REVENUE REQUIRES ROUNDING OF ALL AMOUNTS ON ALL GROSS RECEIPTS RETURNS.

- Line 1. Enter on the first line of your return the amount of rents received from leases of Tangible Personal Property in Delaware, other than from motor vehicles. Multiply this amount by 0.0192 and enter the result in the space provided.
- Line 2. Enter on the second line of your return the amount of rents received from leases of motor vehicles. Multiply this amount by 0.01536 and enter the result in the space provided.
- Line 3. Add the tax from both lines and enter the result in the AMOUNT DUE box. Sign and date the return and provide your telephone number. Cut along the line provided and mail the form with remittance due to the address on the return.

If you have not already renewed this year's business license, do it now to avoid a \$200 penalty.
Go to www.delaware.gov to renew your business license online!

SAMPLE COMPLETED RETURN

TAXABLE BASIS

5,694 X .01536 = \$ **87.00**
RENTS OTHER THAN MOTOR VEHICLES

65,550 X .01536 = \$ **1,007.00**
RENTS FROM MOTOR VEHICLES

\$ 1,094.00 AMOUNT DUE

Quarterly Gross Receipts Tax Returns are due on or before the last day of the month following the end of the quarter as listed.

QUARTER END
03/31/2006
06/30/2006

DUE DATE
05/01/2006
07/31/2006

QUARTER END
09/30/2006
12/31/2006

DUE DATE
10/31/2006
01/31/2007

For questions or to speak with a customer service representative, please call Revenue's Gross Receipts Department at (302) 577-8780.

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